

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOHN W. PARSONS, ESQ., *Executive Director*

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MEMORANDUM

TO: Leominster Retirement Board

FROM: John W. Parsons, Esq., Executive Director

RE: Approval of Funding Schedule

DATE: March 6, 2023

This Commission is hereby furnishing you with approval of the funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 of each fiscal year. The schedule is effective in FY23 and is acceptable under Chapter 32.

The schedule is based on an actuarial valuation using an investment return assumption of 5.5%, which we believe is quite conservative for funding purposes. The Board has used this assumption since its January 1, 2014 actuarial valuation. Despite that assumption, the system's funded ratio as of January 1, 2022 was 119.4%. For comparison, we did a very rough estimate of plan liabilities using a 6.50% discount rate. Under this assumption the plan would be overfunded by approximately \$72 million and the funded ratio would be over 130%.

The plan became fully funded in the January 1, 2020 actuarial valuation and continues to be fully funded in this valuation. The funding schedule from this valuation reflects only normal cost plus net 3(8)(c) payments. The funding amount for FY24 is significantly lower than the required FY20 and FY21 appropriations. Generally, we do not recommend reducing the appropriation to the level of the normal cost when a system attains 100% funding. Instead we recommend a more gradual reduction to mitigate potential investment and/or demographic losses.

If you have any questions, please contact PERAC's Actuary, John Boorack, at (617) 666-4446, extension 935.

JWP/jfb

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Enc.



LEOMINSTER RETIREMENT SYSTEM

FUNDING SCHEDULE

Fiscal Year	Normal Cost	Unfunded Liability	Funding Amortization of UAAL	Net 3(8)(c) Payments	Schedule Contribution
2024	4,279,363	(48,861,121)	-	142,218	4,421,581

Amortization of Unfunded Liability as of July 1, 2022

Starting Year	Type	Original Amort. Amount	Percentage Increasing	Original # of Years	Current Amort. Amount	Years Remaining
2023	Fresh Start	N/A	N/A	N/A	N/A	N/A